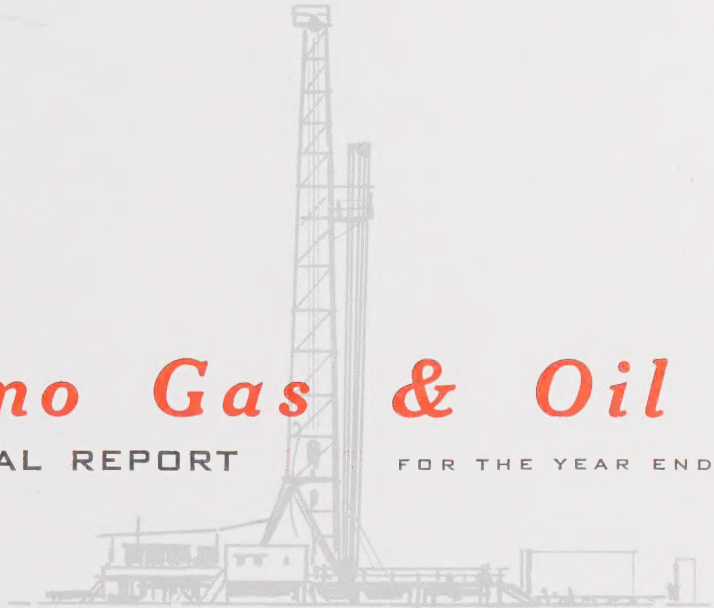
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Permo Gas & Oil Limited

ANNUAL REPORT FOR THE YEAR ENDED AUGUST 31, 1968

A member of the DYNAMIC GROUP

Permo Gas & Oil Limited

(Incorporated under the laws of Ontario)

BOARD OF DIRECTORS

Robert Clive Brown	Calgary, Alberta
Frank Brown	Calgary, Alberta
Archibald Park Newall, Jr.	Calgary, Alberta

OFFICERS

Robert Clive Brown, President	Calgary, Alberta
Archibald Park Newall, Jr., Vice-President	Calgary, Alberta
Eric F. Lowick, Secretary	Calgary, Alberta
Roger D. Paugh, Treasurer	Calgary, Alberta
Gordon Waldie, Q.C., Assistant Secretary	Toronto, Ontario

HEAD OFFICE

210 - 736 - 8th Avenue S.W.	Calgary 2, Alberta

AUDITORS

Clarkson, Gordon & Co.	Calgary, Alberta

BANKER

The Royal Bank of Canada	Calgary, Alberta

TRANSFER AGENT AND REGISTRAR

National Trust Company, Limited	Calgary, Alberta
The Canada Trust Company	Toronto, Ontario

STOCK EXCHANGE LISTING

Toronto Stock Exchange	Toronto, Ontario

Report of the Directors

TO THE SHAREHOLDERS

The annual report and consolidated financial statements of the Company and its subsidiaries, New Continental Oil Company of Canada Limited and Consolidated East Crest Oil Company Limited, for the year ended August 31, 1968 are presented herewith.

CORPORATE AFFAIRS

The Company is the beneficial owner of 3,452,433 shares of New Continental Oil Company of Canada Limited and 1,271,338 shares of Consolidated East Crest Oil Company Limited, representing 56.9% and 79.5% respectively of the issued and outstanding share capital of these subsidiary companies. The said shareholdings represent an original investment of $3,517,487 which amount is not reflected as such in the accompanying financial statements which are presented on a consolidated basis. The quoted market value of the said shares as at the date of this report amounts to the aggregate sum of $20,311,634.

New Continental Oil Company of Canada Limited is the beneficial owner of 1,025,000 shares of the capital stock of Dynamic Petroleum Products Ltd., representing an investment of $2,215,000. The quoted market value of the said shares at August 31, 1968, the date of the accompanying consolidated balance sheet, was $1,537,000, whereas at the date of this report the quoted market value of said shares has increased to $3,587,500.

Consolidated East Crest Oil Company Limited is the beneficial owner of 75,000 shares of the capital stock of Mill City Petroleums Limited, representing an investment of $150,000. The quoted market value of the said shares at August 31, 1968, the date of the accompanying consolidated balance sheet, was $100,500, whereas at the date of this report the quoted market value of said shares has increased to $292,500.

Mill City Petroleums Limited is the beneficial owner of 6,096,694 shares or 46% of the issued and outstanding share capital of Permo Gas & Oil Limited.

FINANCIAL

During the year under review the combined operations of the Company and its subsidiaries resulted in a net loss of $69,116 as compared with a net profit during the preceding year of $8,806. The decrease of $77,922 is summarized as follows:

REVENUE:	1968	1967	increase (decrease)
Income from production and royalties, etc.	$ 480,139	$ 516,491	$ (36,352)
Gain on sale of properties and securities	292,022	517,726	(225,704)
	772,161	1,034,217	(262,056)

EXPENSE:	1968	1967	increase (decrease)
Geological and geophysical survey expenditures	166,387	154,644	11,743
Non-productive drilling costs	156,284	210,909	(54,625)
Lease rentals and other carrying charges	34,873	51,043	(16,170)
P. & N.G. interests acquired in prior years and abandoned in the current year	277,067	203,193	73,874
Administrative, interest and other expenses	96,371	105,051	(8,680)
Write down of advance to unconsolidated subsidiary		59,000	(59,000)
Depletion and depreciation	134,011	170,759	(36,748)
	864,993	954,599	(89,606)
Loss (profit) before minority interest	92,832	(79,618)	(172,450)
Minority interest	23,716	(70,812)	(94,528)
Net loss (profit) for the year	$ 69,116	$ (8,806)	$ (77,922)

During the current year the Company and its subsidiaries expended the sum of $935,821 for purposes of exploration and development activity as follows:

Acquisition of petroleum, natural gas and mining interests		$ 225,472
Drilling costs:		
Productive wells	$ 282,308	
Non-productive wells	156,284	438,592
Geological and geophysical surveys		166,387
Lease rentals and other carrying charges		34,873
Production and other equipment - net		70,497
		$ 935,821

as compared to the sum of $922,513 expended during the preceding year.

It will be noted from the statement of source and application of funds which is included in the accompanying consolidated financial statements that the Company and its subsidiaries expended during the year for all purposes the cash sum of $1,449,561 and that this amount exceeded revenues by $625,820, thereby reducing working capital to $94,337 at the year end. This reduction in working capital arises, in the main, from the fact that the Company's subsidiary, New Continental Oil Company of Canada Limited, increased its shareholdings of Dynamic Petroleum Products Ltd. by 650,000 shares at a cost of $715,000.

ABANDONED PROPERTIES

The loss in the current year of $277,067 above mentioned, arising out of the abandonment of properties acquired in prior years, includes:

(a) a net loss of $90,049 incurred by New Continental Oil Company of Canada Limited upon the abandonment of shut-in oil and gas wells drilled some 15 years ago in the Bonnyville area of the Province of Alberta;

(b) a net loss of $157,445 incurred by Consolidated East Crest Oil Company Limited upon the abandonment of the Leduc D-2B Unit comprising some 110 wells in which East Crest had a 5.8856% interest; this unit suspended operations in February, 1968 and is in the process of complete liquidation.

SALE OF PROPERTIES

During the current year the sum of $418,974 was realized from the sale of petroleum, natural gas and other interests as follows:

(a) Permo and its subsidiary, New Continental Oil Company of Canada Limited, sold their remaining interests in the Fort St. John area of the Province of British Columbia (excluding a 90% deferred interest in net income from the Fort St. John and southeast Fort St. John gas fields accruing to Permo as hereinafter referred to) for the cash sum of $312,500. The interests disposed of consisted primarily of undeveloped acreage together with two small gas wells situate in Township 85, Range 18, W6M. Your Directors considered this transaction to be in the best interests of the Company in view of past experience in the area, the wells' potential and the high cost of installing production equipment and necessary pipelines.

(b) Other reservations, permits and minor interests were disposed of during the year in consideration of the cash sum of $106,474.

RESIDUAL INTEREST IN FORT ST. JOHN PROPERTIES

Effective March 1, 1964 Permo sold its interest in producing properties in the Fort St. John and Southeast Fort St. John gas fields of the Province of British Columbia for the sum of $989,700, subject to the right to receive 90% of net income accruing to the interest disposed of after the purchaser has recovered $1,094,500 out of such net income. As at August 31, 1968 the purchaser has recovered $667,510 leaving a balance of $426,990 to be recovered before Permo will be entitled to this source of revenue. In this regard it should be noted that the said sum of $667,510 is after deducting capital expenditures amounting to $188,358 being the purchaser's share of the cost of installing compression equipment.

EXPLORATION AND DEVELOPMENT

GENERAL

The much publicized oil discovery in the Prudhoe Bay area of Alaska has shifted the exploration front and the search for major oil reserves is in new basin areas in the Yukon, Northwest Territories, the Arctic Islands and offshore from both the east and west coasts where the oil and gas industry will expend vast sums in 1969. Permo and its subsidiaries do not have the financial resources to extend their gas and oil exploration activity into these areas which involves tremendously high costs and this fact, together with rather disappointing results obtained from our exploration and development program conducted in the Rainbow oilfield area of the Province of Alberta, has resulted in a stepped up exploration program in co-operation with associated companies, in the search for base and precious metals. Results attained to the date of this report are indeed encouraging and could materially affect the future prosperity of the Company and its subsidiaries.

DEVELOPMENT

In the Rainbow oilfield area of the Province of Alberta the Company's subsidiaries, as to a combined undivided 2/3rds interest and Dynamic Petroleum Products Ltd. as to an undivided 1/3rd interest, acquired two petroleum and natural gas leases, being the west half of Section 9 and the northwest quarter of Section 34, both in Township 110, Range 7, W6M., at a Crown sale held in January, 1968 for a total bonus payment of $330,000. A detailed seismic survey was conducted over these lands but notwithstanding, two non-productive wells were drilled thereon during the year under review.

The Company's subsidiaries and associated companies participated with Imperial Oil Limited in the drilling of one successful oil well in Section 28-110-7-W6M and the Company's subsidiaries are now the owners of a combined 2/3rds interest in three producing wells and a combined 1/3rd interest in one producing well, all situate in the Rainbow area of the Province of Alberta, together with the interest in producing properties, including producing royalty interests, as more particularly listed elsewhere in this report.

EXPLORATION

SASKATCHEWAN URANIUM OPERATIONS

In 1967 the Company's subsidiaries and associated companies completed an extensive preliminary uranium exploration program covering the entire Athabasca Sandstone area of northern Saskatchewan comprising some 25 million acres. This program involved the flying of approximately 15,000 linear miles of traverses across the subject area using aircraft owned by our group of companies which was equipped with the latest and most modern uranium detection equipment. Results obtained were then interpreted by Seigel Associates Limited of Toronto, consulting geophysicists, and by company geologists.

Following the completion of the aforesaid exploration program and the interpretation of the results thereof a joint mineral exploration agreement was entered into with Gulf Minerals Company, a wholly-owned subsidiary of Gulf Oil Corporation, Pittsburgh, U.S.A. Pursuant to the terms of this agreement Gulf conducted an extensive on-the-ground exploration program employing surface geological parties, four diamond drilling crews and support aircraft.

On December 3, 1968 Gulf issued a press release at a press conference attended by the Premier of the Province of Saskatchewan, in Regina, Saskatchewan, to announce that it had drilled an exploratory hole in which it had encountered ore grade uranium mineralization. Such hole was drilled at an angle for a depth of approximately 500 feet and a gamma ray log showed an equivalent average grade of approximately 0.6% uranium oxide (U_3O_8) in selected zones totalling 195 feet. The ore grade indicated is reported to be three times better than that found at Beaverlodge, Saskatchewan, and at least four to five times better than Elliot Lake, Ontario. (Reference should be made to our Special Report on Uranium dated December 4, 1968 which was mailed to all shareholders of record.)

The discovery above mentioned triggered a rush on the part of other individuals and companies, unprecedented in the history of the Province of Saskatchewan, to file on mineral exploration permits in the said Athabasca Sandstone area, all of which was covered by the airborne radiometric survey conducted by our group of companies. This discovery could very materially affect the future prosperity of Permo and its subsidiary companies and all shareholders.

Gulf Minerals Company at the date of this report is preparing to re-enter the area in order to determine the extent of the aforesaid discovery and to continue its exploration program over a minimum of 1,800,000 acres which are subject to the terms of our agreement. All shareholders will be kept informed as to the progress of the work and results attained, as and when concrete information is available, through the medium of special reports.

Included in this report is a map of the Athabasca Sandstone area including the Wollaston Lake uranium area of the Province of Saskatchewan showing thereon all mineral exploration permits issued to the date of such map according to the best of our information and belief. Insofar as the mineral exploration permits subject to our agreement with Gulf Minerals Company are concerned, which at the date hereof comprise a minimum of 1,800,000 acres, New Continental and Consolidated East Crest will have a combined direct 25% interest in 20% of the net profits accruing under the terms of the said agreement.

In addition to the interest in lands subject to the aforesaid agreement with Gulf Minerals Company, New Continental Oil Company of Canada Limited and Royal Canadian Ventures Ltd., each as to an undivided 50% working interest, acquired three mineral prospecting permits in the Wollaston Lake uranium area comprising approximately 535,000 acres as shown on the map accompanying this report. An agreement covering two of the said permits has been entered into with Excel Petroleums Ltd., a subsidiary of Commonwealth Petroleum Services Ltd., pursuant to the terms of which Excel has acquired a 40% undivided working interest in each permit subject to their expending on each permit on or before December 31, 1972, the sum of $850,000 by way of exploration and development. Royal Canadian Ventures Ltd. is the operator of this project.

MANITOBA MINERAL PROSPECTING RESERVATIONS

Subsequent to the Company's fiscal year-end six mineral prospecting reservations containing approximately 1,110,500 acres were acquired from the Province of Manitoba. These reservations, which grant the right to explore for and develop deposits of uranium, base and precious metals, are shown on the map accompanying this report and are held by Dynamic Petroleum Products Ltd. as to an undivided 80% interest and by Permo Gas & Oil Limited as to an undivided 20% interest. An exploration program involving the minimum sum of approximately $275,000 will be conducted over the lands contained in these reservations during the current year.

OTHER MINING OPERATIONS

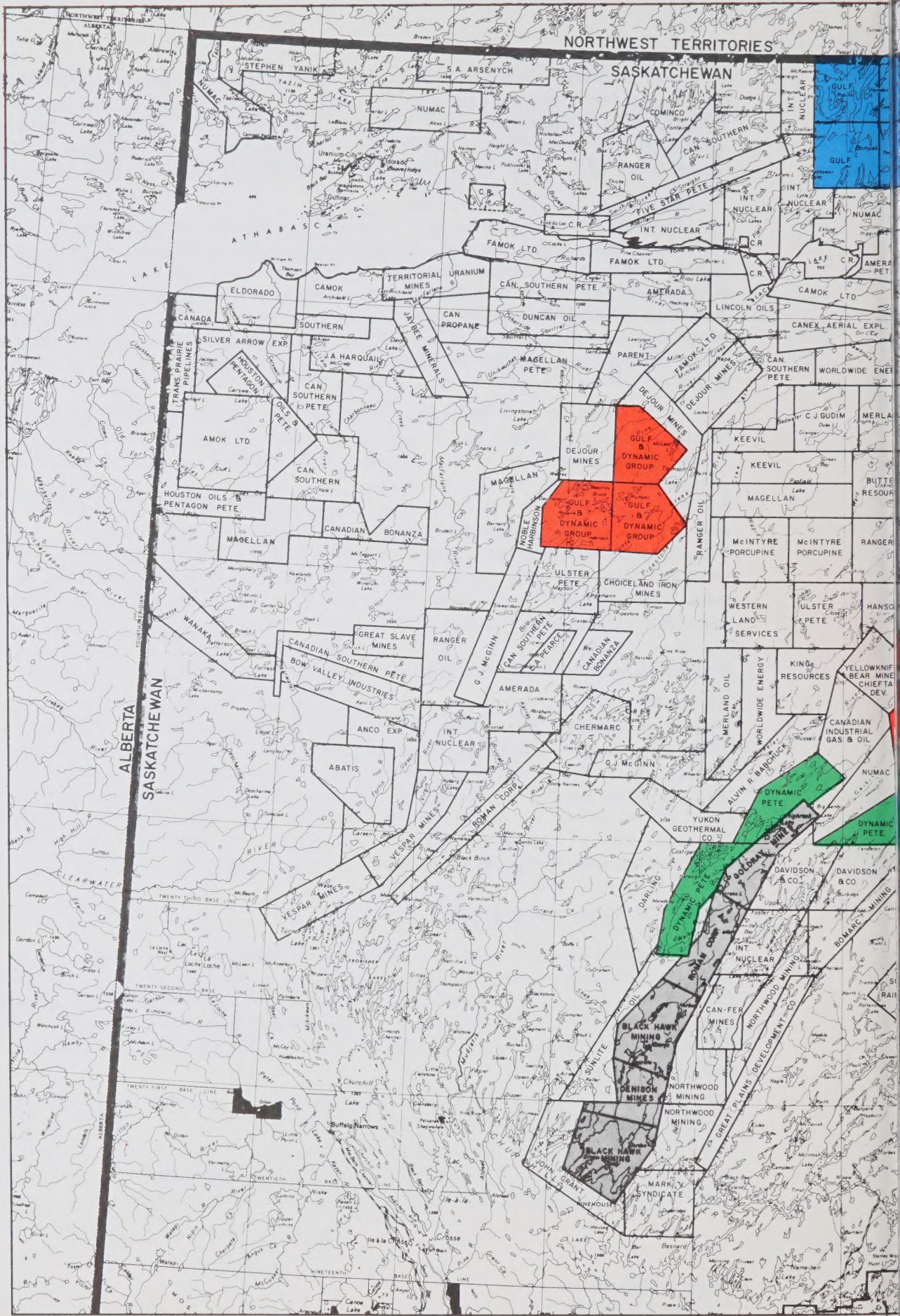
The Company's subsidiaries in co-operation with associated companies are continuing their exploration program and the acquisition of mineral claims in the Province of British Columbia through an exploration office established in Kamloops, B.C., and are also participating in exploration programs on the ground and in the air over areas in the Provinces of Alberta and Saskatchewan and in the Northwest Territories in the search for uranium and other minerals.

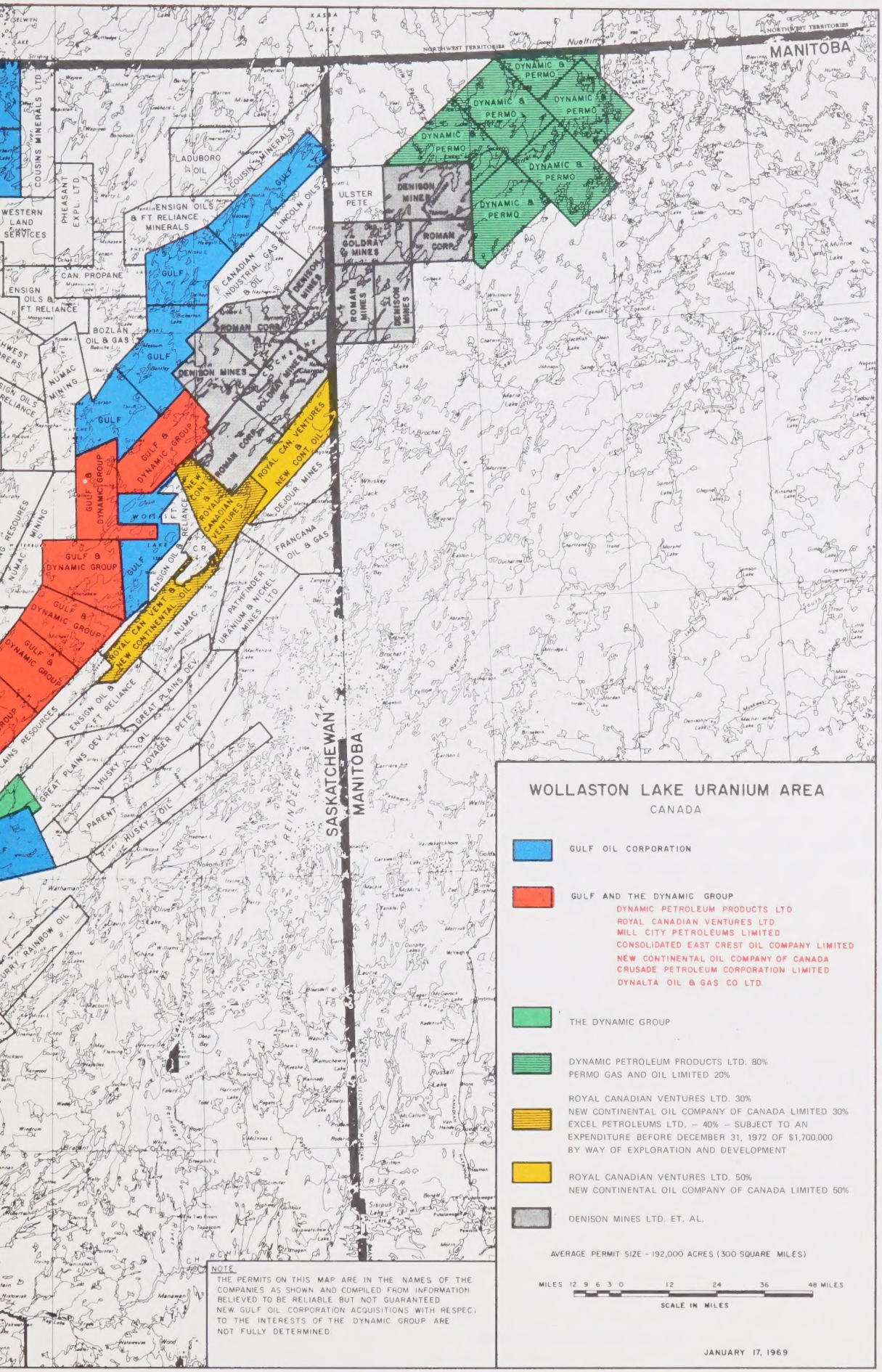
Again, we wish to express our appreciation to all employees and shareholders of the Company for their continued interest and loyal support.

Respectfully submitted
on behalf of the Board

R. C. BROWN
President

Calgary, Alberta
January 27, 1969.


NORTHWEST TERRITORIES
SASKATCHEWAN
ALBERTA
SASKATCHEWAN
ATHABASCA
LAKE
RIVER
CLEARWATER
STEPHEN YANIK
TAZIN LAKE
S.A. ARSENYCH
NUMAC
Uranium City
Eldorado
Gunnar
COMINCO
RANGER OIL
CAN. SOUTHERN
INT. NUCLEAR
GULF
FIVE STAR PETE
FAMOK LTD
TERRITORIAL URANIUM MINES
CAMOK
ELDORADO
CAN. SOUTHERN PETE
AMERADA
LINCOLN OILS
CANEX AERIAL EXPL.
CANADA SOUTHERN
CAN. PROPANE
DUNCAN OIL
SILVER ARROW EXP.
TRANS PRAIRIE PIPELINES
J.A. HARQUAIL
JANBEE MINERALS
MAGELLAN PETE
PARENT
DEJOUR MINES
WORLDWIDE ENE
HOUSTON PENTAGON OILS
AMOK LTD.
CAN. SOUTHERN PETE
C.J. GUDIM
KEEVIL
MERLA
BUTTE RESOUR
GULF & DYNAMIC GROUP
MAGELLAN
CANADIAN BONANZA
NOBLE HARBINSON
McINTYRE PORCUPINE
RANGER
ULSTER PETE
CHOICELAND IRON MINES
WESTERN LAND SERVICES
HANSO
WANAKA
GREAT SLAVE MINES
CANADIAN SOUTHERN PETE
BOW VALLEY INDUSTRIES
RANGER OIL
G.J. McGINN
CAN. SOUTHERN PETE
A. PEARCE
CANADIAN BONANZA
AMERADA
KINGS RESOURCES
YELLOWKNIFE BEAR MINE CHIEFTA DEV.
MERLAND OIL
WORLDWIDE ENERGY
CANADIAN INDUSTRIAL GAS & OIL
ANCO EXP.
INT. NUCLEAR
CHERMARC
G.J. McGINN
ABATIS
VESPAR MINES
BOMAN CORP.
ALVIN R. BABCHUCK
DYNAMIC PETE
YUKON GEOTHERMAL CO.
NUMAC
DAVIDSON & CO.
DARLING
GOLDMARK
BOMARC MINING
NORTHWOOD MINING DEVELOPMENT CO.
CAN-FER MINES
SUNLITE OIL
BLACK HAWK MINING
DENISON MINES
NORTHWOOD MINING
MARK V SYNDICATE
JOHN L. GRANT
GREAT PLAINS DEVELOPMENT CO.
TWENTY THIRD BASE LINE
TWENTY SECOND BASE LINE
TWENTY FIRST BASE LINE
TWENTIETH BASE LINE
NINETEENTH BASE LINE
Buffalo Narrows
Ile-a-la-Crosse
Canoe Lake



WOLLASTON LAKE URANIUM AREA

CANADA

GULF OIL CORPORATION

GULF AND THE DYNAMIC GROUP

DYNAMIC PETROLEUM PRODUCTS LTD.
ROYAL CANADIAN VENTURES LTD.
MILL CITY PETROLEUMS LIMITED
CONSOLIDATED EAST CREST OIL COMPANY LIMITED
NEW CONTINENTAL OIL COMPANY OF CANADA
CRUSADE PETROLEUM CORPORATION LIMITED
DYNALTA OIL & GAS CO LTD.

THE DYNAMIC GROUP

DYNAMIC PETROLEUM PRODUCTS LTD. 80%
PERMO GAS AND OIL LIMITED 20%

ROYAL CANADIAN VENTURES LTD. 30%
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED 30%
EXCEL PETROLEUMS LTD. – 40% – SUBJECT TO AN
EXPENDITURE BEFORE DECEMBER 31, 1972 OF $1,700,000
BY WAY OF EXPLORATION AND DEVELOPMENT

ROYAL CANADIAN VENTURES LTD. 50%
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED 50%

DENISON MINES LTD. ET. AL.

AVERAGE PERMIT SIZE – 192,000 ACRES (300 SQUARE MILES)

MILES 12 9 6 3 0 12 24 36 48 MILES

SCALE IN MILES

JANUARY 17, 1969

NOTE:
THE PERMITS ON THIS MAP ARE IN THE NAMES OF THE COMPANIES AS SHOWN AND COMPILED FROM INFORMATION BELIEVED TO BE RELIABLE BUT NOT GUARANTEED. NEW GULF OIL CORPORATION ACQUISITIONS WITH RESPECT TO THE INTERESTS OF THE DYNAMIC GROUP ARE NOT FULLY DETERMINED.

CONSOLIDATED

AUGUST 31, 1968

ASSETS

	1968	1967
CURRENT		
Cash	$ 127,260	$ 68,934
Short term deposits	7,500	570,000
Marketable securities at cost (market value 1968 - $78,853; 1967 - $57,932)	93,776	71,355
Accounts receivable	149,926	274,662
Materials and supplies - at cost	7,977	1,377
Total current assets	386,439	986,328
DEPOSITS AND OTHER		
Operating and performance deposits	70,454	93,461
Special 5% refundable tax	15,830	18,582
	86,284	112,043
INVESTMENTS AND ADVANCES		
Shares of and advances to wholly-owned subsidiaries at cost less amount written off (Note 1)	20,004	20,004
Shares of Dynamic Petroleum Products Ltd. at cost (Note 3)	2,215,000	1,500,000
Shares of Mill City Petroleums Limited at cost (market value 1968 - $100,500; 1967 - $138,500)	150,000	150,000
	2,385,004	1,670,004
PROPERTY, PLANT AND EQUIPMENT - AT COST		
Producing properties including well development expenditures	2,803,885	2,589,225
Non-producing properties	449,928	506,501
Shut-in oil and gas wells		195,707
Production and other equipment	454,640	467,333
	3,708,453	3,758,766
Less accumulated depreciation and depletion	1,000,902	1,091,463
	2,707,551	2,667,303
	$5,565,278	$5,435,678

See accompanying notes.

Oil Limited

BALANCE SHEET

(With comparative figures at August 31, 1967)

LIABILITIES

	1968	1967
CURRENT		
Accounts payable	$ 229,602	$ 266,171
Current maturities of bank loan	62,500	
Total current liabilities	292,102	266,171
BANK LOAN (Note 4)	250,000	
Less instalments due within one year included in current liabilities	62,500	
	187,500	
MINORITY INTEREST IN SUBSIDIARIES	1,769,839	1,784,554
SHAREHOLDERS' EQUITY		
Capital -		
Authorized - 20,000,000 common shares without par value		
Issued - 13,127,276 shares	10,635,522	10,635,522
Deficit (Statement 2)	7,319,685	7,250,569
	3,315,837	3,384,953
	$5,565,278	$5,435,678

On behalf of the Board:

R. C. BROWN, Director.
ARCHIE P. NEWALL, JR., Director.

Permo Gas & Oil Limited

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

for the Year Ended August 31, 1968

(With comparative figures for 1967)

	1968	1967
REVENUE		
Crude oil and natural gas sales	$ 315,702	$ 323,651
Less production expenses	120,165	101,737
	195,537	221,914
Royalties	253,705	248,784
Interest and dividends	22,559	39,075
Other	8,338	6,718
	480,139	516,491
EXPENSE		
Administrative and general	86,697	103,093
Exploratory costs, lease rentals, etc.	201,260	205,687
Interest	9,497	
Other	177	1,958
	297,631	310,738
CASH EARNINGS FROM OPERATIONS	182,508	205,753
DEDUCT		
Depletion	113,411	143,530
Depreciation	20,600	27,229
Abandonments:		
Petroleum and natural gas interests	41,603	185,673
Well development costs	377,169	210,910
Loss on disposal of plant and equipment	14,579	17,519
Write down of advance to unconsolidated subsidiary		59,000
	567,362	643,861
ADD		
Gain on sale of properties	292,022	515,872
Gain on sale of securities		1,854
	292,022	517,726
Loss (profit) before minority interest	92,832	(79,618)
Minority interest in (profits) and losses of subsidiaries	23,716	(70,812)
NET LOSS (PROFIT) FOR THE YEAR	69,116	(8,806)
DEFICIT, beginning of year	7,250,569	7,259,375
DEFICIT, end of year	$7,319,685	$7,250,569

See accompanying notes.

Permo Gas & Oil Limited

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the Year Ended August 31, 1968

(With comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Cash earnings from operations	$ 182,508	$ 205,753
Sale of properties	367,458	752,299
Bank loan net of amount included in current liabilities	187,500	
Sale of production equipment	51,516	
Decrease (increase) in operating and performance deposits	23,007	(36,310)
Issue of subsidiary's shares on exercise of stock options	9,000	12,000
Repayment of advance by unconsolidated subsidiary		18,000
Special refundable tax, etc.	2,752	(12,222)
Total funds provided	823,741	939,520
APPLICATION OF FUNDS		
Shares of Dynamic Petroleum Products Ltd.	715,000	
Petroleum and natural gas interests	225,472	386,204
Well development and dry hole costs	438,592	302,390
Production and other equipment - net	70,497	28,232
Total funds applied	1,449,561	716,826
DECREASE (INCREASE) IN WORKING CAPITAL	625,820	(222,694)
WORKING CAPITAL, beginning of year	720,157	497,463
WORKING CAPITAL, end of year	$ 94,337	$ 720,157

See accompanying notes.

Permo Gas & Oil Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 1968

1. CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries, Consolidated East Crest Oil Company Limited (79.5% owned) and New Continental Oil Company of Canada Limited (56.9% owned). The accounts of the latter company do not include the accounts of its inactive wholly-owned subsidiaries. The parent company's investment in these subsidiaries exceeds their aggregate net assets by $16,907 at August 31, 1968.

The excess of the cost of the Company's investment in shares of consolidated subsidiaries over its equity in the net assets of the subsidiaries at dates of acquisition has been included in property, plant and equipment.

2. ACCOUNTING POLICY

The Companies' policy is to capitalize the acquisition costs of petroleum and natural gas and mining interests together with development costs thereon. Carrying costs and exploration expenses are charged against income as incurred. Acquisition costs of producing properties together with related development costs and production equipment are written off on a unit of production basis. The costs of non-producing properties and unproductive development are charged against income in the year of abandonment.

3. INVESTMENT IN SHARES OF DYNAMIC PETROLEUM PRODUCTS LTD.

The Companies' investment in shares of Dynamic Petroleum Products Ltd. consists of 1,025,000 shares of which 650,000 were acquired from Dynamic during the year at a cost of $715,000.

The quoted market value of this investment was $1,537,000 ($1.50 per share) on August 31, 1968 and $2,941,750 ($2.87 per share) on December 16, 1968. Due to the number of shares involved, the market value is not necessarily indicative of the amount that could be realized if the shares were sold.

4. BANK LOAN

Although the bank loan is evidenced by a demand note, the bank has indicated that it is prepared to accept monthly payments of $5,208. The loan is secured by the assignment of the Companies' interest in certain oil and gas properties.

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The Companies bear a portion of the total remuneration paid to their directors and senior officers who are paid by an affiliated company. The amount of such remuneration allocated to the company during the year amounted to $36,228 and is included in administrative and general expense.

6. INCOME TAXES

Under Canadian income tax law, exploration and development expenditures including acquisition costs of oil and gas properties may be deducted from income or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the year ended August 31, 1968 and at that date an amount of approximately $770,000, consisting of the excess of such expenditures, depletion on royalty income and capital cost allowances in respect of depreciable property, was available to be carried forward against future taxable income.

AUDITORS' REPORT

To The Shareholders of
Permo Gas & Oil Limited

We have examined the consolidated balance sheet of Permo Gas & Oil Limited and its subsidiaries as at August 31, 1968 and the consolidated statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1968, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants

Calgary, Alberta
December 17, 1968

COMBINED ACREAGE HOLDINGS

of

PERMO GAS & OIL LIMITED
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED
CONSOLIDATED EAST CREST OIL COMPANY LIMITED

(Varying Interests)

at August 31, 1968.

EXPLORATORY ACRES	Gross Acres	Net Acres
Alberta	63,300	15,433
Saskatchewan	24,010	1,422
British Columbia	9,523	4,575
	96,833	21,430

PRODUCING PROPERTIES	Gross Acres	Net Acres	Working Interest %
Alberta Unitized			
Turner Valley Unit No. 7			1.0875
Homeglen Rimbey Unit No. 1			0.007403
Pembina Cardium Unit No. 31			2.8584
Leduc Woodbend D-2A Unit			1.307
Swan Hills Inverness Unit No. 1			0.5674863
Joarcam Unit No. 3			0.62541
Alberta Non-Unitized			
Fairydell	160	53	33.33333
Lochend	1,600	467	29.2308
Rainbow	320	106	33.3333
Rainbow	480	320	66.6666
Saskatchewan Unitized			
Eagle Lake Viking Voluntary Unit			5.2508
Saskatchewan Non-Unitized			
Dodsland	960	960	100.0000

ROYALTIES AND CARRIED INTERESTS (Most significant only)

1. ½ of 1% gross on 35,240 acres in Alaska.
2. 7½% carried interest in various working interests in 173,069 acres in Alaska.
3. 10% carried interest in 22,054 acres of Alberta Bituminous Sands Lease.
4. 1% on 49,710 acres in McLeod River, Alberta, area to the west of Edson gas field.
5. 1% on 50,454 acres in the Aitken Creek area of N.E. British Columbia.
6. 2% gross on 17,760 acres in the Hondo, Alberta, area.
7. 2% gross on 32,820 acres covering producing wells in the Milligan Creek, Willow and Wildmint fields of N.E. British Columbia.
8. 2½% gross on 41,036 acres covering producing wells in the E. Peejay field and Bulrush areas of N.E. British Columbia.
9. 3% gross on 544,529 acres of permits in the Northwest Territories.
10. Various gross and net royalties on D-2, D-3 and Lower Cretaceous producing wells, most of which are unitized.
11. 90% deferred net income from producing properties in Fort St. John, B.C.

MINING		Gross	Net	Working Interest %
Vancouver Island Permits		126,314 acres	36,090 acres	28.5714
B. C.	- Mineral Claims	464 claims		28.5714
	- Mineral Leases	2 leases		28.5714
Sask.	- Mineral Exploration Permits	1,728,000 acres		25% interest in 20% defined net profits interest.
	- Mineral Exploration Permits (Wollaston Lake)	345,000 acres		50% working interest

COAL PERMIT			
Montana	5,084 acres	508	10.0000

PRESS RELEASE

GULF OIL CORPORATION, PITTSBURGH, U.S.A., ISSUED THE FOLLOWING PRESS RELEASE LATE MONDAY, MAY 19, 1969, WHICH WAS CARRIED BY THE DOW JONES WIRE SERVICE. GULF OIL CANADA LIMITED RELAYED THE U.S. RELEASE TO CANADIAN NEWS SERVICES MAY 20, 1969.

"GULF REPORTS ORE GRADE URANIUM IN SIX WOLLASTON LAKE HOLES

Denver, Colo. – Gulf Oil Corporation today reported that a subsidiary and an associate have encountered ore grade mineralization in six holes to date in a uranium prospect in Canada. Three rigs continue to outline the prospect, which is in the Athabasca region of Northern Saskatchewan to the west of Wollaston Lake.

The ore grade holes drilled by Gulf Minerals Company, a wholly owned subsidiary, and Gulf Oil Canada Limited an affiliate are at various locations from 400 feet in a northeasterly direction from the discovery hole to 400 feet in a southwesterly direction from that initial hole.

Holes drilled 800 feet northeast and 800 feet southwest of the discovery hole did not encounter ore grade mineralization.

In the relatively shallow holes drilled to date, ore grade mineralization has been encountered to about 700 feet, but the lower limit has not yet been found. Chemical assays have been completed for the first three holes and confirm that mineralization is ore grade. The assays show a wide range of values both within the mineralized zone and from the hole to hole. Correlation with the gamma ray logs is good and the three holes for which assays have not been completed also look favourable. The ore is in a complex vein-type deposit.

The drilling rigs are continuing to explore the prospect in depth. They also are seeking to determine the exact horizontal limits and to investigate the possibility of other accumulations related to radiometric anomalies. Although not enough information is available for a meaningful estimate of reserves, the results continue to be promising.

The New Continental group of companies holds a separate net profit interest in the permit in which the holes are being drilled, and in certain other permits in the area."

Permo Gas & Oil Limited

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Permo Gas & Oil Limited (hereinafter called "the Company") of proxies to be used at the Annual General Meeting of the Shareholders of the Company to be held at the offices of the Company, 210, 736 - 8th Avenue S.W., Calgary, Alberta, on Friday, the 28th day of February, A.D. 1969 at the hour of 11:30 o'clock in the forenoon (M.S.T.) for the purposes set forth in the notice of the meeting accompanying this information circular. The costs incurred in the preparation and mailing of both the proxies and this information circular will be borne by the Company but the Company will not absorb any additional expense arising from this solicitation which is confined to the mailing of this information to registered shareholders. The information contained herein is given as of the date of the accompanying notice of meeting.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are Directors of the Company. The person or company submitting the proxy shall have the right to appoint a person to represent him or it at the meeting other than the person or persons designated in the form of proxy as submitted by the Company and such appointment may be exercised by the deletion or striking out of the persons so designated and inserting in the blank space provided in the proxy the name of the appointed representative, such deletion or striking out to be initialled by the person or officers signing such proxy.

Any person or company giving such proxy shall have the power to revoke such proxy at any time prior to the meeting providing such revocation is unconditional and signed and deposited with the Secretary of the Company or the scrutineers at or prior to the commencement of the said meeting.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will, in the absence of any instructions to the contrary, vote the shares in respect of which they are appointed, for the election of Directors as stated under that heading in this circular and for the appointment of auditors as stated under that heading in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting, provided that the Company is not aware, a reasonable time prior to the time this solicitation is made, that any such amendments, variations or other matters are to be presented for action at the meeting. At the time of printing this information circular the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES AND PRINCIPAL SHAREHOLDERS

On the date of the accompanying notice of meeting the Company had outstanding 13,127,276 common shares without nominal or par value, the holders of which are entitled to one vote for each such share registered in their name. Holders of common shares of record at the time and date of the meeting are entitled to vote at the meeting. The register of transfers will not be closed.

Mill City Petroleums Limited is the beneficial owner of 6,096,694 shares representing 46% of the issued and outstanding shares of the company.

ELECTION OF DIRECTORS

The following are the names of the persons for whom it is intended that votes will be cast for their election as Directors pursuant to the proxy which is hereby solicited: Frank Brown, Robert Clive Brown and Archibald P. Newall, Jr. The term of office for each Director is from the date of the meeting at which he is elected until the annual meeting next following or until his successor is elected or appointed.

Information Concerning Nominees as Directors

Name	Year first became a Director	Shares of the Company beneficially owned
Frank Brown	1966	1
Robert Clive Brown	1966	1
Archibald P. Newall, Jr.	1966	1

Shares beneficially owned in subsidiary companies

Name	Shares of New Continental Oil Company of Canada Limited	Shares of Consolidated East Crest Oil Company Limited
Frank Brown	15,500	1
Robert Clive Brown	14,400	1
Archibald P. Newall, Jr.	500	1

The above named nominees during the past five years have been Directors and/or Officers of associated companies, Mill City Petroleums Limited, Dynamic Petroleum Products Ltd. and Royal Canadian Ventures Ltd. When Mill City Petroleums Limited acquired effective control of the Company in 1966 they were elected Directors of the Company and of its subsidiaries, New Continental Oil Company of Canada Limited and Consolidated East Crest Oil Company Limited. Robert Clive Brown is President of the Company and Archibald P. Newall, Jr. is Vice-President.

According to information furnished by the respective Directors individually, they are collectively the beneficial owners of 29,919 shares of the capital stock of Mill City Petroleums Limited.

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The Company and its subsidiaries bears a portion of the total remuneration paid to its Directors and Senior Officers who are paid by an associated company. The amount of such remuneration allocated to the Company and its subsidiaries during the year amounted to $36,228 and in addition the sum of $2,482 was allocated to cover pension or retirement benefits. These amounts are included in administrative and general expense in the consolidated financial statements.

There are no options to purchase common shares of the Company held by any of its Directors or Senior Officers. However, the following option covering shares of the capital stock of the Company's subsidiary, New Continental Oil Company of Canada Limited, was exercised during the year.

Option Exercised

By: Eric F. Lowick, Secretary

Common Shares	Option Price	Date of Exercise	Price range 30 days preceding exercise
10,000	30c	May 10, 1968	66c - 80c

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Clarkson, Gordon & Co., Chartered Accountants, Calgary, Alberta, the present auditors, as auditors of the Company to hold office until the next annual meeting of shareholders. The said auditors have been auditors for the Company since its inception in 1956.

BY ORDER OF THE BOARD
E. F. LOWICK
Secretary

DATED: January 27, 1969.